

MaestroTec, Inc. – Case Study for Innovative Vendor and Factory Management

Challenge

Today's retailers have the potential to benefit greatly from an innovative, highly effective solution to manage their sourcing and quality assurance processes. Greater control of vendors, factories, and their products is a critical element to continue to fuel the growth of today's successful retailers. Expansion of product categories into more competitive areas coupled with off shore sourcing will continue to create greater risks for delayed shipments and higher risk products. While the larger profit margins exist for products sourced from the expansion of the availability of manufacturing nations, increased challenges are inevitable such as increased risks of late shipments due to customs and security issues, risks to carefully cultivated brand integrity from products made by child labor or unethical factories and manufacturers, risks of dangerous products due to inattention to quality assurance, and risks of expensive and brand damaging CPSC fines due to safety concerns of products.

Challenges facing today's retailers are not unique. In Accenture's article, "What Sets High-Performance Companies Apart in the Changing Consumer Goods Landscape", it states "Every industry has undergone change in recent years, but consumer packaged goods in particular is experiencing fundamental change." It continues by saying "Retailers continue to gain power over consumer goods manufacturers as the retail industry grows and consolidates." and "Service levels to retailers have increased as evidenced by shorter order cycle times (a 58% decrease) and better perfect order rates (a 9.3% increase) over the last four years, according to the 2003 GMA Logistics Study." Obviously, the increased power of the retailers comes at a cost to the manufactures as the article acknowledges, "Unfortunately, manufacturers have provided these benefits to retailers at a cost to themselves, not as a result of improved efficiencies."

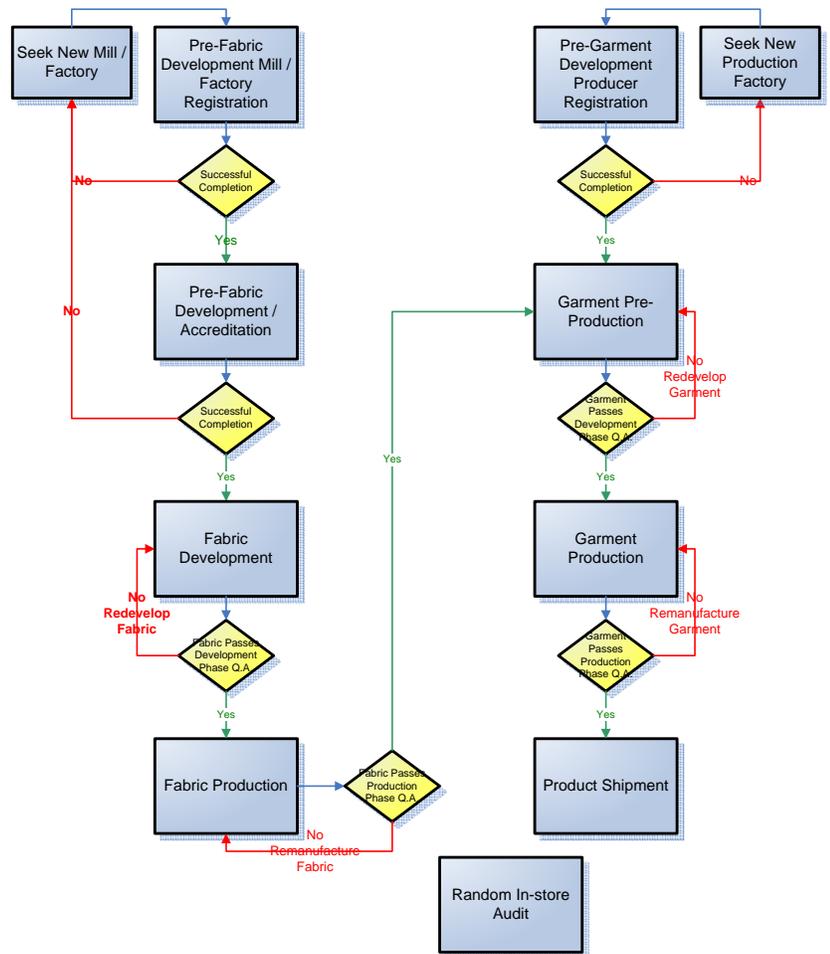
Therefore, a robust, complete solution must not only help our clients, it must help their partners as well through gained efficiencies and cost effective programs. The ideal solution transforms distant vendors and factories into trusted partners and it turns quality assurance providers into guardians of the retailer's brand. The MaestroTec solution understands the needs and challenges of growing retailers and their manufacturers. Challenges can be methodologically managed with a well designed solution bringing together people, processes, and tools to manage internal staff, external services, vendors, factories, and products. Benefits include reduced risks, increased accountability, higher visibility, increased efficiency, lower costs, and a wealth of useful information to improve the management and execution of strategic goals and processes.

Approach

Phase I includes evaluation services and strategy development. During evaluation, the current process is examined to determine needs, both present and future. MaestroTec has developed a process to understand not only the internal needs but of the needs of vendors, factories, and services outside of the organization. The best efficiency gains come from addressing the challenges of external companies such as teaching vendors and factories, the expectations of the retail company and how best to work with the requirements to allow for the smoothest transactions and processes in supplying the best products in the most time and cost effective manner. Strategy development takes into account current needs but ensures that future needs are fully addressed to create the ideal sourcing solution.

Phase II addresses the details of implementing the solution. Training programs are developed to quickly get the solution in place. Since vendors, factories, and service providers play an instrumental role in their contribution of information flow into the system, an efficient, cost effective training program is developed to properly set expectations and deliver materials so everyone understands the process from the beginning. Integration to all existing systems is also addressed and implemented to ensure completeness of the solution.

Phase III is an ongoing process to ensure continual improvement with the process. The solution grows and adapts to the fast changing business world and its complex nature. An ideal mix of rigid methodology is combined with flexible modular solutions to encompass the expected changes in sourcing processes and procedures.



Benefits to Retail Sourcing and Quality Assurance Processes and Strategy

The retailer can gain tremendous competitive advantage by increasing the effectiveness, efficiency, and execution of its sourcing activities. Competitive advantage is gained through:

1. Shortening the sourcing cycle by:
 - a. Aligning all the steps in sourcing to effectively assign and manage each process
 - b. Creating the ability to quickly identify and remedy anticipated and non-anticipated problems
 - c. Raising accountability of all parties involved
2. Minimizing partner and product risks
 - a. All parties involved in sourcing interact with Maestro-PPM, raising awareness and visibility of every critical and non-critical step in sourcing
 - b. Responsibilities are tracked and updated to reflect the real time status of the sourcing project
 - c. Critical steps such as quality assurance will be significantly more difficult to bypass or ignore
3. Selecting and retaining the best vendors and manufacturers
 - a. With significant data collected over time, the performance of vendors and manufacturers and their products can be evaluated based on factors such as 1) on-time delivery, 2) quality of their factories, 3) compliance to the retailer's expectations, 4) quality of product
 - b. Managerial reports will provide the retailer the capability to assess and improve the sourcing process by reporting trends, comparing sourcing countries, general product categories, etc.

The MaestroTec Innovation

MaestroTec has created a unique solution by identifying and combining the best practice solutions from 1) a firm foundation of project management concepts and practices, 2) a well-balanced software solution which is rigid enough to ensure discipline and security, yet flexible enough to accommodate complex systems, situations, and the uncertainty of future changes, and 3) a solid understanding by the staff of the present and future challenges facing sourcing staff.

Advantages of Maestro-PPM

1. Fully web-based solution – everyone from everywhere can access database with Internet Explorer, no additional software required
2. Ease of Use – Maestro-PPM has been widely praised for its clean user interface and its simplicity to understand and use by a diverse user base
3. Highly Cost Effective – costs can be shared and allocated to all users of the system

Solution Overview

The innovative vendor management solution is based on the principles of project management (Project Management Body of Knowledge – PMBOK). For the vendor management solution, a project is defined by encompassing all the processes from product conception to distribution. The steps the solution addresses are outlined as follows in the following overview and diagram.

1. Buying Process
 - a. Specifications
 - i. Product Conception - Create Product Specifications
 - ii. Product and Package Design
 - b. Sourcing
 - i. Selection of Manufacturer, Distributor, Agent
 - ii. Negotiations and Agreement of Terms
 - iii. Purchase Order
2. Quality Process
 - a. Social Accountability Audit
 - i. Request for S.A. Audit
 - ii. S.A. Audit
 - b. Pre-Production Factory Inspection - Capabilities
 - i. Request for Factory Inspection
 - ii. Factory Inspection
 - c. Factory Inspection - Product
 - i. Request for Factory Inspection
 - ii. Factory Inspection
 - d. Product Testing
 - i. Request for Product Testing
 - ii. Product Testing
3. Product Shipment
 - a. Notice of Shipment
 - b. Customs
 - c. Shipment Release
 - d. Shipment Received
4. Release of Funds
5. Store Audit
 - a. Finding Potential Risks in Store
 - b. Product Testing

