



CASE STUDY

Rayban Case Study - Cutting Component Costs and Increasing Profitability

To get its range of premium brand sunglasses out on the shelf at the right time, a global eyewear manufacturer depends on its suppliers delivering key components just when they're needed. Consultants have been looking at how two companies who supply the frames can serve their customer better by implementing Lean manufacturing practices.

Keeping the Customer in the Frame

From the time Audrey Hepburn donned a pair of shades in *Breakfast at Tiffany's*, to the moment *Top Gun's* Tom Cruise steps from the cockpit of an F14 sporting his, sunglasses have been seen as an essential fashion accessory. And just as fashion retailers must keep pace with the latest trends, so the sellers of sunglasses need stocks of the coolest shades.

This worldwide manufacturer of many top-label brands identified that they were losing sales because they couldn't respond rapidly to the demands of the market. The rate of sale of new products is especially unpredictable in such a high fashion; season-sensitive business and they found they could only follow the demand trends by incurring a lot of extra costs.

They had a developed strategy and, after making improvements in their own sites, found the real problem lay with their two major overseas frame suppliers. Lead times of between 45 and 60 days, sometimes even 90 days, and service levels of around 85 per cent, meant they were simply unable to respond to demand changes and volume fluctuations.

A General Manager of their key assembly site was appointed to head up a team to implement a *build to order* strategy with key suppliers. His approach was to not just demand improvements but to demonstrate commitment by providing a practical means of making change happen. One of his actions was to call in consultants to mobilise a multifunctional team, which included senior managers, local support, and of course suppliers.

“Our first task was to help our frame suppliers to understand the pressures we were up against in a volatile consumer goods market. We then had to show them that real productivity gains were only achievable if they adopted a new way of working and that those gains would benefit not only us but



them too" says the General Manager. "A key advantage was that we were in a position to share some of our best practice".

The next step was a systems analysis conducted by the taskforce to present to the two suppliers, with a much clearer picture of their current performance. Our approach helped them discover for themselves how a lack of customer focus, together with complex and ineffective planning processes, were causing unacceptable delays, too much inventory and long lead times. Together, our task was to eliminate these problems by optimising their internal supply chains."

Cutting the time it takes for an order to be fulfilled from seven and a half days to just one is perhaps the most dramatic illustration of how the internal supply chain has been radically improved. "Orders used to come in, get passed between various departments and, after about 10 steps, end up on the shop floor. Now they go straight to production, eliminating the waste in the process and freeing up a lot of people to do more productive tasks."

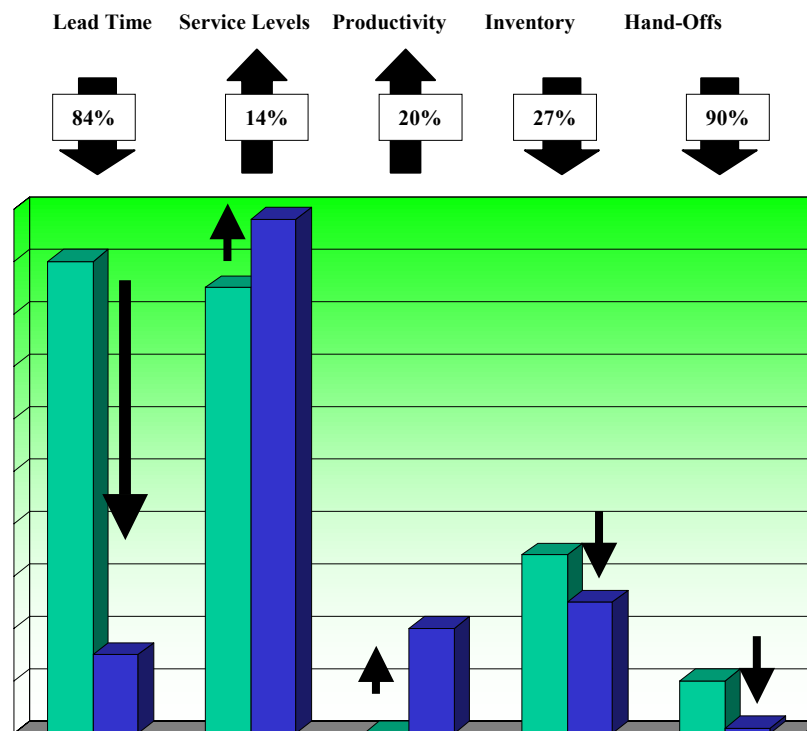
A simple method for improving planning and control has been implemented which includes a 'pull' system of production. "This basically means that the suppliers' production schedules are linked to those of their customer. So if one of the manufacturing centres in any of the manufacturing plants assembles 1,000 pairs of sunglasses using frames made by one of these suppliers, that supplier gets a signal telling them to manufacture to replace those parts. Previously, they made what they *thought* was going to be consumed which increased stock and obsolescence and the lead times on what was actually wanted. Now they make what is *actually* being consumed."

Another new approach, postponement manufacturing, was introduced and has improved responsiveness by enabling much greater flexibility. "Some of the frames are identical but for their colour; and it's hard to predict which colours will sell best especially with a new product launch. The suppliers now postpone the spraying stage as late as they can, customising the frames at the last minute when they know from actual sales which colours are proving most popular."

The greatest cultural shift and one, which was essential to fully optimise the supply chain, came with the implementation of cellular manufacturing and the consequent re-training of the operators. "Cellular manufacturing calls for flexible employees with mixed skills, people who own the process and add value to it. Our suppliers thought at first that it was too revolutionary, too costly and that people wouldn't be able to adapt."



Simulation, an important technique throughout the programme, helped win them round. “For them to buy-in to the idea and see it could work, we used simulation to demonstrate how the cells would operate, and we showed them the benefits by putting 30 operators through a pilot training programme. Now all their employees are going through a development programme to broaden their skills and knowledge.”



The end result of cutting the order to shipment process to a day, of implementing simple planning processes and of putting in place customer-focused manufacturing units - all in a tight four month timescale - is impressive. The brand owner enjoys lead times from its suppliers of less than 15 days, service levels have increased to 98 per cent and the flexibility to switch products and change volumes has increased immeasurably. The suppliers, meanwhile, have seen their productivity rise by nearly 20 per cent and inventory reduce from 34 days to 25.



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“What this project has proved is that it *is* possible for companies to keep the cost of components down while enjoying high service levels, if they invest in their supplier base,” says the client.

Much energy may have been expended getting the buy-in of the suppliers in the early days but having committed to change they showed great determination to follow it through.



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