How can Fashion Jewellery Inc. improve their organization?

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Problem Solving Case
Professor: Stuart Schulman

Chih Li Kong
Yoon Hwan Kin
Sarm Wattanasri
Maria Winterstrid

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INTRODUCTION

Background

Fashion Jewellery Inc, (dba F.J.) began its business 20 years ago when there were only a handful of companies that imported costume jewelry. Demand for costume jewelry was high at that time because of its low price. Low price allowed women and men to wear more variety of jewelry without having to be concerned about loss, damage or money too much. Owners of F.J. who were working in costume jewelry wholesaling at that time understood this demand for costume jewelry. With this knowledge, they began a costume jewelry importing company that eventually became F.J.

F.J. currently has 12 employees. Most of the products are imported from China and distributed to wholesalers, department stores and chain stores in North America, South America and Africa.

The “Cathy Collection”

F.J’s brand name is called "Cathy Collection". The company specializes in rhinestone necklace sets that are mostly worn for special events such as weddings and parties, but can be worn casually as well.

Following are the types of products that F.J. currently sells:

- Rhinestone necklace sets
- Rhinestone choker sets
- Pearl necklace sets
- Pearl choker sets
- Plastic necklace sets
- Casting necklace sets
- Rhinestone earrings
- Fashion earrings
- Rhinestone bracelets
- Brooches

(Sets: Necklace + Earring)

Each product comes with a “Cathy Collection” logo. Necklaces and chokers have “Cathy Collection” metal tag attached to the extension.
Current Process Flow

Current process flow chart can be seen in Appendix (Current Process Flow). The following are the detailed descriptions of each process.

*Production and Delivery Time*

The production time varies from each supplier depending on their capabilities. Therefore, one supplier has a different price for the same design than another supplier. Each order, if shipped by ocean, is received approximately 6 – 8 weeks from the date of the order. If shipped by Air, the order can be received in 4 – 6 weeks. Small special orders can be done within 2 weeks but D.H.L. freight charge is paid by the customers. Large quantity special orders can be completed within 4 weeks as well.

*Problems:* Although the delivery times have been fairly consistent, there have been numerous incidences when the products were delivered too late. This affects F.J.’s business greatly because customer’s demands have to be met quickly before they change their minds or go to different importing companies.

*Incoming Goods*

The warehouse employees are informed about 20 minutes before the goods arrive. The warehouse is aware of the ETA of the goods but this date changes depending on the US customs and trucking companies. When informed of a delivery, the employees make just enough space for the number of boxes that will be received.

*Problems:* There is no designated space for the incoming goods currently. Any available space is used for storage for the newly coming goods. As often a result, there is no organized system that the employees follow and thus the warehouse becomes chaotic often.

*Inventory*

Currently, there are three designated sections for brooches, earrings, and bracelets. These make up only 20% of currently stored merchandise. There are no designated sections for the remaining 80%. They are not placed in any numerical order. 70% of the merchandise is stored inside the boxes, which are stacked up on top of one another. Rectangular holes
are cut out from the boxes for the workers to reach the merchandise. More specific details regarding the layout of the warehouse will be discussed in the current warehouse section.

**Problems:** Because the merchandise is not organized in any sort of order, it is extremely difficult for the employees to locate the merchandise. There are only two workers that can pick up the goods in the warehouse. The company wishes to have a system where all workers can easily find any item that they require. Current methods waste too much space that can be better utilized. The Current warehousing method is also impractical in terms of keeping track of inventory. There is no appointed person who keeps track of the inventory and gives updates to the buyers. As a result, buyers are unaware of many items that should have been ordered a long time ago.

*Picking Orders*

After receiving a picking form, a warehouse employee picks up the merchandise and simultaneously checks off the items that he picked on the pick list. The same employee lines up the entire order on the floor.

*Double Check*

After the merchandise is laid on the floor, a different employee writes down item numbers, colors and quantity of all the merchandise on a separate sheet of paper. This second employee is not allowed to look at the original pick list. This is called double check. In double check, quality of the items is inspected as well.

*Triple Check*

After the second employee finishes with his/her list, both the original and second list is given to a third employee who compares the two lists for any inconsistency. This is called triple check. If any inconsistencies are found, the third employee instructs either the first or second employee for appropriate corrections. If the lists are identical, both lists are given to the invoice typist and the order is packed in appropriate boxes.

**Problems:** Although the single, double and triple check ensure the accuracy of the content in the package, the entire process is too inefficient. Maximum amount that F.J. currently can send a day is approximately $50,000.00. F.J. needs to increase this number especially after tradeshows. F.J. has to find a more efficient method that is faster and ensures equal accuracy of the content of the order.

Like many other companies, F.J. is faced with numerous problems. However, the bottleneck of the entire system is the inventory managing, picking orders, double check and triple check processes. This will be the most vital problem that needs to be solved first.
Invoice, Shipping Label, and Packaging

Once a set of products is prepared, an invoice is processed and printed at the office and their sent to a customer afterward. The UPS shipping label is also printed so that a packing employee can attach it onto the package.

Depending on the size of the order and method of shipping, different boxes are used in packing. All warehouse employees are familiar and experienced with this process. Packaging process does not cause any problems for F.J. currently.

Current Information Flow

Current information flow chart can be seen in Appendix (Current information flow). Description of each process is detailed below.

Design Approval & Buyer

Most of the jewelry is designed by the designers employed by factories in China. The factories prepare samples for F.J. to view and to choose from. Approved samples are given orders. Order quantity depends on price and the prospects of the design itself. Disapproved samples are redesigned or rejected. F.J. provides certain designs to its suppliers as well. In this case, the suppliers would make counter-samples and send them back to F.J. for approval. Suppliers are contacted by email, fax or phone. F.J. also makes several visitations to its suppliers each year as well.

Problems: Communication has always been difficult with the suppliers. Differences in language plays a big part of the problem. Since the communication is done manually, a lagging problem constantly exists.

Since most of the designs are done by the suppliers, F.J. is still a product oriented company. In today’s competitive market, F.J. needs to be more market oriented company and promptly come up with designs suitable for the current fashion.

Maximizer – Computer System

After the designs are approved, appropriate orders are given to the manufacturers. The purchase order is done in Maximizer which is the small business software that F.J. currently uses. At the time of the creation of the purchase order, the estimated time of arrival is entered for the sales people to refer to while doing the sale. Upon the arrival of
the orders, items are updated into the inventory. Invoice is done with the same Maximizer program. When an invoice is made, proper items are subtracted from the inventory.

Catalog

Pictures are taken of approved samples for catalog. All pictures are saved in electronic format in the database for reference purpose. Six pictures are put together in a word document which is either printed out or sent to customers by email. The catalogs are not printed out in advance. They are printed when customers make requests for them.

Sales orders

F.J. receives sales orders in six different ways: phone, exhibition show, show room, fax, email and visits to customers. All orders are hand written. They are then rewritten by hand on a standardized pick list form. The pick list is then given to the warehouse for them to pick.

Problems: Same orders are rewritten twice. This is an efficient system that wastes too much time. If the employees can input the sales order in the computer, the computer could generate pick list and invoice much faster. Too many processes are replicated and hand written.

Picking List

A picture of the pick list can be seen in Appendix (Picking list). Item numbers are written on the left side of the sheet. The colors of the items are written in the color column. The quantity of the order is then written on the quantity column. When the order is picked out, the check column is checked off. If the item is sold for a special price, the price is written in the price column. As discussed before, when the triple check is done, the pick list and the double check list is given to the invoice typing person.

Invoicing

An invoice is manually typed in the Maximizer program using the pick list and the double check list. When any inconsistency between the two lists is found, the warehouse is informed immediately for corrections. If no inconsistency is found, the invoice is printed and given to the shipping label person.

Shipping Labels

UPS labels:
After the invoices are printed, UPS Worldship program is used to print out UPS labels.

**Trucking Labels:**
Each trucking company uses their own bill of lading forms which F.J. has. Each bill of lading forms are hand written and given to the trucking companies with the shipments.

**Problems:** Current business software that F.J. uses is not connected to UPS Worldship program. There are other business software in the market that are capable of printing UPS labels.
INVENTORY DESCRIPTION

Warehouse

The warehouse has 24 shelf units that hold the merchandise. Currently, the only designated sections in the warehouse are brooches, earrings and bracelets. These sections are shown in the appendix (Current warehouse). Brooches, earrings and bracelets only take up small amount of space in the warehouse. Pearl and rhinestone necklaces sets, which take up most of the area in the warehouse, are still disorganized without any well defined sections.

As mentioned earlier, any incoming merchandise is placed in any free area in the warehouse. Due to this factor, the items are extremely difficult to locate and maintain their status. There are only two employees in the company who know where the merchandise is located. However, they too occasionally have difficulty locating the items.

The company just bought 175 shelves that can be made to roughly 15-20 shelving units. However, the company has not formulated any floor plan to set up the shelving units. There is no specified double checking area as well. The products are laid out on the floor which makes the work itself more difficult and makes the warehouse less organized.

Resistance to Change

Few employees in the company have been with the company for many years. Even though an outsider might think of the warehouse very disorganized, these employees have become very accustomed to the current environment. Due to this factor, some employees have shown some resistance to change.