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Black Friday Fortification:

Supply Chain Tips and Advice for a Lucrative Fourth Quarter

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SPECIAL REPORT



**Logistics &
Electronics**

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INTRODUCTION >>

In order to achieve and surpass revenue goals and eclipse competitors, the third quarter is a time that manufacturers and service providers of electronics cannot afford to fall short. Now is the time to prepare for this critical season, which in some cases translates to approximately 80 percent of annual sales.

The fourth quarter can be a make or break for reaching economic projections, and satisfying shareholders. As such, any missteps can have serious ramifications for a fiscal year's performance. Preparing for demand and volume spikes in key sales periods such as Black Friday is fundamentally important for the success of an organization. But it is during stressful times such as these, that the weaknesses of a supply chain can become painfully exposed.

With the recent challenging economy, many companies may have scaled back supply chain operations to cuts costs. Accordingly, the skills and talents of a

best-in-class third-party logistics (3PL) partner can help bridge the gap created by cuts. At the same time, this relationship can help a company surge ahead as the economy begins its eventual ascent.

It is time to reassess the supply chain to avoid being caught flatfooted when financial conditions improve. Aggressive, forward-thinking organizations with an eye on the future, should ready themselves now for an improved marketplace and the corresponding increase in consumer demand, especially in terms of Black Friday and the pivotal fourth quarter.

There are a handful of basic principles that must be addressed for a fruitful Black Friday. If conducted in lockstep with a 3PL partner, a company can free itself to produce the best products possible and establish sales channels, while leaving the complexities of strategy development and product fulfillment to the logistics experts.

TIPS FOR BLACK FRIDAY SUCCESS >>

1) Provide Accurate Forecasting

The key to successfully anticipating seasonal demand is accurate and timely forecasting. An OEM must have, and be willing to share, quality data with their 3PL partner in order to make these forecasts effective. These forecasts should span the entire manufacturing process from volume estimates, to distribution models, to packaging.

Forecasts should be based on current market conditions, as opposed to Black Friday sales cycles from previous years. This is of particular importance because of the economic fluctuations in recent quarters. Unless these anomalies are compensated for, projections can be seriously flawed. It is extremely counterproductive to oversaturate the market with too many products, which can lead to a fire sale scenario and devalue the brand.

An industry-leading 3PL can help avoid these potential forecasting pitfalls. Although the onus is on the OEM to provide the highest quality data possible, the 3PL partner must be able to interpret the data and compensate for any miscalculations. To accomplish this, a 3PL should be expected to possess a thorough knowledge of the overall industry and market, as well as the unique needs of its manufacturing customer, their intermediary partners,

and ultimately, the end-user. With this actionable data in hand, an effective strategy can be developed and executed against.

2) Avoid Fixed Costs

When faced with spikes in volume and demand, such as the Black Friday scenario, there are inherent seasonality issues. Thereby, it is highly recommended to pursue variable, as opposed to fixed costs, for logistics operations. It is not economically feasible to maintain a standing workforce and assume the overhead of technology, materials handling equipment and facilities on a year-round basis. Instead, partnering with a well-suited 3PL provider that understands the industry and ultimate end-user is a far more sensible strategy.

This will also allow a company to select services à la carte, so they can pick and choose exactly what is necessary, as opposed to paying for blanket services. Plus, after dealing with a tumultuous economic climate over the span of multiple quarters, many companies have significantly scaled back investments. This may present a distinct disadvantage when trying to manage an uptick in demand.

3) Achieve Flexibility

Since even the best of forecasts can be challenged by the whims of the marketplace, the ability to be flexible is paramount. There must be a contingency plan for the unexpected. This shouldn't be considered a doom and gloom, or negative mentality. The reality is that preparing for the unexpected is a crucial way of thinking that smart companies should embrace. It is also an area where a qualified 3PL can make all the difference.

The ability to be flexible, with the speed to maneuver and nimbly respond to changes in the supply chain is a must. Detecting marketplace fluctuations and effectively game planning against them requires resources, dedication and focus that manufacturers should dedicate to their core competencies. Working with a 3PL partner with broad and deep industry experience, coupled with expertise and the technical prowess to react, offers a huge advantage.

A prime example of flexibility that a 3PL can offer, especially for the demanding fourth quarter, is vendor managed inventory (VMI) services. This can offer adequate stocking levels based on current forecasts, plus additional inventory for any surprises, while avoiding too much stock that can potentially become obsolete. Most importantly a service provider isn't obligated to purchase the inventory until it is actually distributed.

In essence, VMI minimizes the risk of being burdened with too much inventory, while still providing the availability of adequate supplies. VMI places ready stock in close proximity to target markets, in the event that a retailer experiences an unexpected increase in demand. It also provides the capability to smooth out variations and compensate for a missed forecast.

4) Ability to Customize

Specialized kitting & packaging to customize products can be true differentiators in the marketplace, especially when appealing to consumers on Black Friday. The need to customize a product with additional accessories, or specialized packaging and labeling can emerge as a result of market trends that can't be anticipated at overseas manufacturing facilities with lengthy lead times.

It is important that a 3PL partner have the capacity to offer unique kitting & packaging to coincide with specific offerings, such as a bonus holiday gift included with a

GPS device, to complement a retailer's promotion. The goal is to make the product as attractive as possible to the consumer, which can increase revenue and improve relationships with retailers.

It is a mistaken assumption that domestic completion of the kitting & packaging processes will result in higher overall costs. The "last mile" packaging strategy can allow for more unpackaged units to be shipped from overseas in bulk, which reduces transportation costs. In addition, because a 3PL has preexisting relationships with various vendors, they are in much better position to source materials at a reduced rate, especially for short-run, highly specialized packaging. They can also leverage the economy of scale by buying packaging materials in massive quantities to further lower expenses. The end result can actually reduce costs.

Customization can also include more complex operations, such as software reflashes and updates required to remedy technical glitches or improve functionality. A 3PL must have the expertise and facilities in place to make these changes to avoid a return to overseas manufacturing facilities, which can result in significant launch delays that are not conducive for a productive Black Friday.

5) Pursue Perfection

At the end of the day, the most basic element of meeting the Black Friday challenge is having products in place to generate sales. But, all of the preparation and execution is meaningless if consumers don't like what they see. It is important to work with a 3PL partner with sound best practices and an exceptional eye for detail, to make sure all of the work put into packaging and distribution reaches retailers in pristine condition.

If packaging is flawed in any way, or even damaged aesthetically, retailers and ultimately end-users will be turned off. While it seems a very basic principle to make sure that products are in good condition on store shelves, it is a detail that can be sacrificed in the name of expediency and volume. If a 3PL partner doesn't operate according to sound processes, this important component may be compromised, which can result in jeopardized relationships with retailers and consumers.

THE BEST LAID PLANS >>

Companies that conduct effective advance strategic planning can be in for a stellar fourth quarter, those that don't could be in for an unmitigated disaster that can have long-term impacts on brand performance. Market leaders attain their status by conducting thoughtful advanced planning with all relevant parties including the company's planners, buyers, internal supply chain managers, 3PL partners and OEMs, to prepare for Black Friday.

By mid to late summer those in charge of internal and external distribution are in close communication with planners and buyers to determine exactly what they plan to purchase to meet the Black Friday surge. In turn, buyers and planners coordinate with the sales group who works with OEMs to make sure adequate volume is ready to meet demand.

These initial meetings occur over the course of a few days, with subsequent meetings leading up to the week of Black Friday. Ongoing planning that factors in variables along the way is essential to have the right balance of inventory without over compensating.

Planning in phases allows for incremental adjustments in volume to address fluctuations in demand. The goal is to ramp up production operations slowly, over the course of weeks and months to avoid placing undue pressure on the supply chain, which can compromise performance. It is optimal to have all products in place by the week prior to Black Friday.

This cautious, well thought out approach, with steadfast internal alignment in partnership with a knowledgeable 3PL partner can position a company for a successful year.

MINI "Case Study"

Flexibility was a critical component of a Black Friday supply chain strategy for a well-known cell phone OEM. The company was pleasantly surprised by a last minute-opportunity to place its product in prime Black Friday retail space on behalf of a major carrier. But, they had to move quickly, efficiently and reliably with absolutely no margin for error.

While they had the adequate inventory in the supply chain of 300,000 units, they had already been fully kitted and packaged in China. Unfortunately, the new opportunity called for completely different packaging in clamshells, creating a significant challenge with a highly demanding delivery date of just six weeks. With this aggressive timeframe, it was impossible to return the stock to overseas facilities because of significant timing and budgetary constraints.

To take advantage the opportunity, the OEM worked with its best-in-class 3PL provider to alter its overall strategy on the fly. This entailed the 3PL organizing new packaging, which they were able to locally redesign and source in an expeditious timeframe to meet the OEM's and retailer's specifications. The 3PL was also able to manage other critical functions including software reflashing, dekitting and salvaging of the previous packaging materials, as well as repackaging the product with new components.

This challenge called for a multitude of complex, simultaneous operations in order to fulfill the retailer's requirements and prepare the devices for sale. Situations such as these include a myriad of failure points, which can jeopardize success. However, the sophisticated 3PL partner, with its established vendor relationships with packaging suppliers, extensive technical prowess to update software and readily available workforce, was able to make these exacting changes within an extraordinarily tight deadline.

Supported by the proven 3PL, the OEM sold each of its 300,000 units stemming from this previously unplanned event with skill and accuracy. The flexibility demonstrated by this high level of performance also resulted in future sales of the same product, with both the carrier and the retailer, at almost twice the initial projections.

FORGING AHEAD >>

Preparing and managing the supply chain for the all-important fourth quarter requires specialization, focus and expertise. It is for these reasons that a manufacturer or service provider should carefully consider a 3PL partner to manage forecasting and fulfillment, along with specialized operations such as kitting & packaging. A 3PL's experience and industry knowledge can help circumvent typical challenges and quickly take advantage of market opportunities in ways that manufacturers are hard pressed to achieve alone.

This relationship will facilitate a highly organized and proactive supply chain strategy to face Black Friday. Now, a company can focus on the most important elements of their business including R&D, customer retention and new business opportunities. Effectively utilizing a 3PL relationship provides a competitive edge that can help not only maintain, but also increase market share, for both seasonal surges and the inevitable economic turnaround.

About ATC Logistics & Electronics

ATC Logistics & Electronics (ATCLE), is a premier provider of third party logistics (3PL) and supply chain services. The company specializes in forward logistics, reverse logistics, asset recovery, test & repair, kitting & packaging and value-added services for high-velocity, high-tech devices, in addition to other equipment and components. Industry focus includes wireless, broadband, electronics, medical, industrial and automotive. ATCLE's knowledge, expertise, IT capabilities and 99.5 percent service and quality levels enable its customers to streamline supply chain efficiency and enhance growth and profit. With a customer roster including AT&T, GM, LG, Pantech and TomTom, ATCLE raises the standard for quality, service and performance.

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