



MEDIUM-SIZED ENTERPRISE GERMANY

The risk story 1



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Medium-sized enterprise from Germany

Context of the Company and the Supply Chain

Founded in 1994 the firm is a family-owned distribution company for exclusive hair cosmetics products with currently around 100 employees in the central office, warehouse and sales. The firm is the general importer for Paul Mitchel products for several European countries, which are delivered from Sta Clarita (U.S.A.) and which constitute the main business of the firm. In addition, the firm distributes two other brands sourced in from Umbria (Italy), and from Bremen (Germany). Roughly 5000 product variants are on stock, which are directly distributed to 5500 hairdressers in Germany and Austria and to general importers in other European countries. Other minor sales channels include direct distribution via Amazon or via an own webshop.

Digitalization of SC

Ordering from Paul Mitchell is done by transmitting Excel-Lists. There is an EDI link with Amazon. The firm uses the web-based ERP-System Comarch (www.comarch.com). The web shop is hosted by the service provider Shopify and is also used by hairdressers for their clients.

Risk Management

The company has no formalized risk management. However, measures are taken to avoid or reduce the impact of supply chain risks. The measures include:

1. Weekly ordering to have a continuous inflow of products and adapt to changes on demand. As a container from U.S. takes 4-6 weeks there arenormally enough goods under way. In addition, there is a close collaborationwith this main supplier.

2. Own buffer stock to ensure a high service level in particular for “core products”.
3. Long term collaboration with the same forwarders. The firm does not look for the cheapest forwarder but builds a reliable long-term relation with air and sea forwarders.
4. As cosmetics regulations of EU and U.S. differ, the firm takes proactive action to inform the main supplier about regulations and requirements to avoid disruption.

Practice of Risk Management:

Cyber risks

There were no specific cyber risks reported as the company invests in IT- security.

Operational risk

Operational risks are due to delays and shortages of airfreight or container capacity. In the pandemic there has been also shortage of packaging material for Paul Mitchel products to be shipped from China to the U.S. As cosmetics regulations of EU differ from those of the U.S., there is a disruption risk in case new products do not comply with European regulation. The firm takes proactive action to inform main suppliers about regulations and requirements in order to avoid issues with the current regulations.

Market risks

The main market risk for the company is not having the products available when demanded by the customers or disrupted relations to their suppliers, which cause issues in their supply chain and missing products. Through a close collaboration with main suppliers and forwarders, the company tries to bind the partners, in order to have long lasting market relations and ensure 100% availability.

COVID-19 related risks

During the COVID-19 crisis the risk of the dependency from the Chinese suppliers came up as a risk, as the extreme measures taken by the Chinese government disrupted the production and the supply chain. Further a dependency from the big logistic suppliers caused a lack of air freight capacity and a shortage of products of Chinese suppliers.

Benefits of Risk Management:

A continuous risk management and monitoring of the risks reduced delays caused through missing stock of products. Moreover, the risk of products not in compliance with current local regulations and the caused delays are minimized. The resulting high delivery reliability is highly valued by the customers.