



MEDIUM-SIZED ENTERPRISE
GERMANY

The risk story 2



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Medium-sized enterprise from Germany

Context of the Company and the Supply Chain

The company was founded in the 1950s to commercialize its invention of magnetic planning boards. Now managed by the third generation of the family the firm has become a producer and distributor of high-end office equipment with an annual turnover of around 22 Million € and more than 60 employees. The products have won many prestigious design awards.

The firm has three business lines: For two business lines products are sourced from China and Japan. For the main proprietary business line, the firm has its own product design and prototyping, a small production unit, but relies mainly on contract manufacturing. The current sourcing volume for the 3500 stock keeping units (SKU) is about 30% from China/Asia and 70% from the EU. As for the voluminous whiteboards, the logistic costs in relation to production costs in China are quite high, the company has decided to bring as much of the manufacturing back to Europe as economically feasible.

Digitalization of SC

The firm uses EDI with over 80% of its clients (approx. 600 packaging units/day to clients). There is a customized ERP system, which the firm plans to replace with a new solution and a link between ERP and contract manufacturers. For ordering from suppliers mainly Excel lists are transmitted. For online tracking and management of purchasing and inbound logistics the cloud-based solution of Forto (www.forto.com) is used.

Risk Management

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

1. Selected contract manufacturers with a long-term partnership,
2. Strict supplier contracts,
3. Redundancy strategy for suppliers of important products,
4. Increasing sourcing from within Europe (and Germany in particular),
5. Stocking in order to insure availability
6. Careful selection of forwarders

Practice of Risk Management:

Operational risks

The company was facing several handling and transportation risks in the past. In order to reduce these risks, there is a careful selection of forwarders. Furthermore, to avoid out of stock situations the firm invests in a generous level of stock in their own warehouse.

Market risks

Further, the company is experiencing the risk of growing dependency from the suppliers. The strategy the company uses is a dual sourcing strategy, one supplier from Europe and one from Asia. The second sourcing alternative decreases the dependency of a supplier and makes it possible to source the parts within a timely manner to avoid a shortage of product parts.

Cyber risks

The firm invests in IT-security and up to now was not affected by cyber-attacks.

Covid-19 related risks

In order to avoid out-of-stock situations the firm has increased stocking levels of priority products to ensure its service levels.

Other identified risks

In previous years the company experienced the risk of product piracy from subcontractors in China, who started to copy its products. To avoid this risk, the firm has a twofold strategy: First, to bring back as much of production to Germany/Europe as economically feasible and to develop reliable and trustworthy long-term contract manufacturing partners.

Second, strict supplier contracts with confidentiality clauses are applied. A third means to reduce dependency from suppliers for strategic products e.

g. for Whiteboard is contracting with two redundant suppliers in China and Europe.

Benefits of risk management: The undertaken risk management reduced the dependency on suppliers and the loss of knowledge to competitors, which maintained the profitability and the unique selling proposition of the office equipment the company sells.