

MEDIUM-SIZED ENTERPRISE GERMANY

The risk story 5



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Medium-sized enterprise from Germany

Context of the Company and the Supply Chain

This midsized fashion firm designs textiles, bags and other products in three collections (parents, babies & kids, baby swimwear), which makes a total of approximately 4.000 stock keeping units (SKU) counting different sizes of one product. The designs are manufactured mainly in Asia (China, India, Sri Lanka, Pakistan, and Turkey) with a lead time of approximately six to eight months and to a small extent in Germany. The family-owned firm was founded in 2006 and currently has 106 employees including a purchasing office in Hongkong and sales subsidiaries in Austria and France. Final products are distributed from an own warehouse to 2500 retailers, to online platforms such as Amazon and Zalando and private labels covering 50 countries. There is also a (small) own online shop. The firm has won a number of international awards for outstanding product design, innovation, sustainability, quality and function as well as successful brand management.

Digitalization of SC

Interaction with clients happens mainly via EDI. Given limited internet bandwidth on the supplier side ordering and communication with suppliers is mainly by mail. The company has a SAGE ERP system with a connected CRM application. Further, Tableau is used as a visual analytics platform. Teams eases communication and collaboration.

Risk Management

Quality and risk management is dealt with by a four-person unit reporting to the general manager. The fashion firm has defined a code of conduct binding for all business partners which defines requirements for suppliers and partners.

Among other things, the Code of Conduct contributes to compliance with social and ethical standards, sustainable environmental protection and ensures fair working conditions. Regarding risk management a master thesis was written with the company. Some of the results have been retained and been translated into risk prevention plans at unit level (e.g. risks of IT failures). Product related risks are taken care of by textile engineers and chemists.

Summarizing, SC risks are reduced by:

1. Careful selection of suppliers with a view on a long-term partnership,
2. Frequent interaction (audit, visit, quality checks) with suppliers,
3. Redundancy strategy for suppliers of important products,
5. Stocking to avoid out of stock situations
6. Long-term Careful selection of forwarders
7. Enforcing a code of conduct and overall quality and sustainability strategy

Practice of Risk Management:

Operational risks

Operational risks relate to delays in delivery, to e.g. water entering a container or customs delays. Delay risks are minimized by a careful selection of the forwarders. To mitigate and minimize operational risks the firm has a generous stock level in its warehouse, as well as long standing relations with forwarders. Further, a careful selection and frequent interaction (audit, visit, quality checks) are an important aspect to reduce the risks.

Market risks

Out-of-stock situations dependency on suppliers is reduced by dual sourcing strategies. In addition, the firm selects (potential) suppliers very carefully and regularly visits them. Policy is a long-term collaboration and the management looks for family owned businesses with similar values. The firm's high quality and sustainability claims are operationalized by own certifications and initiatives to reduce carbon emissions at Scope 2 level.

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 due to delays by supplies or longer transport lead times the firm has increased stocking levels of priority products to ensure its service levels.

Benefits of risk management: An adequate risk management reduces out of stock situations and delays. Further, a high-quality of the products can be maintained.