



White Space in Manufacturing

Key issues within the industry and how insight can help
address them

A White Space white paper

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Introduction

It is a mis-held myth that Western Europe has lost its manufacturing base, with what was once the powerhouse of the economy reduced to the margins. Through evolution towards high-end industries and high-tech methods, European manufacturing has remained at the forefront of not just the European but the world economy. Several of the current trends highlight the dynamism of the sector, as well as the need for solid management decision making to plot the path to future success.

1. Six Sigma and Just-In-Time Manufacturing

Western European labour is expensive but generally of high quality. This fits with a manufacturing approach based on six sigma and just-in-time, which both require expertise on the production line and, in theory, minimise wastage and the need for re-work.

Since its development by companies such as Motorola and GE, six sigma has been applied not just in manufacturing but across almost every other business function. Its key principal of minimising error rates to create a 'right first time' operation has been attractive to anyone who has authority over almost any business process. From a manufacturing perspective, though, the allure of bringing in six sigma 'black belt' experts to increase productivity from a skilled workforce has been particularly strong over recent years, with emerging economies such as China and CEE threatening to dominate global production through use of cheap but largely low-skilled workforces.

Although pioneered in Japan and not the United States, just-in-time (JIT) manufacturing has been closely identified with six sigma. The attractiveness of JIT is based on a range of factors, including its ability to minimise stock and wastage and its ability to support customisation and personalisation of the end product. The core philosophies – including waste minimisation, continuous improvement, good housekeeping, levelled production and personal responsibility – also fit well with Western companies, and can allow them to differentiate against cheaper rivals by offering the customer greater choice of and control over the end product.

Six sigma and JIT have both created significant opportunities within manufacturing, but they are not universally appropriate to all businesses. They have therefore raised a range of questions which European manufacturers have had to answer before embracing them. Is your workforce and management structure appropriate? Do the philosophies actually work in your industry? If so, how should they be embraced and implemented? Will significant investment in infrastructure be required? Solid answers to these questions, and many others, are required if to minimise risk and maximise reward.

2. Transport and Distribution

After manufacture, goods face transportation and distribution, whether directly onto customers or retailers, or through a network of depots and regional distribution centres. Creating the right distribution strategy and structure, is essential to minimise costs and maximise stock efficiency. Choice of transport method, scheduling, route planning, and fleet maximisation are all major components of this.

Over recent years, many manufacturers have chosen to outsource transport and distribution and so pass on responsibility for the process. Advantages of doing this include the economies of scale of major logistics companies and their superior infrastructure, reduction in management time and hassle, and greater predictability over cost. However, none of these are guaranteed, and many manufacturers have found that their contracts have been less favourable than initially thought. In turn this has led to disputes over cost escalation, performance accountability and systems investment. Thorough planning and analysis prior to signing the deal and making the decision to outsource minimises the risk of this happening.

3. CRM

Most manufacturers do not have direct relationships with their end customers: arguably the most famous of those who do, Dell, are held up as a case study in business school precisely because of this.

The end customer, though, is the ultimate source of income and demand for all manufacturers, and an increasing trend over recent years has been for companies from this sector to invest in CRM systems, like those pioneered by retailers from the early 1990s onwards. Advances in IT, coupled with increased customer acceptance of CRM, has reduced development costs and risks.

Manufacturers, like retailers and any company who invests in CRM, are faced with the same challenges relating to collecting and analysing customer data, and structuring appropriate, tailored campaigns on the back of it. The biggest challenge for manufacturers often lies with the first of these: data collection. As most do not have direct access to the end customer, they have traditionally relied on customers registering products or returning warranty cards. However, most customers do not choose to do either of these, and those who do often leave fields incomplete or change contact details without notification.

To get around these problems, some innovative manufacturers have entered into partnerships with retailers to install product registration terminals in shops which have proved far more effective than traditional product registration cards. The Internet has also created an opportunity for manufacturers to develop direct relationships with their customers, and collect strong data on them to drive CRM. Consumer electronics companies have led the way in creating customer areas on their websites, which have developed into online user communities of, in some cases, millions of people.

Finding the White Space

Production, though application of six sigma and just-in-time methodologies, transport and distribution and CRM represent three very different areas of concern for manufacturers in the twenty first century. Making the correct decisions around what is or is not the best approach to each has significant implications for competitive advantage, not just in home markets but in the global economy, where emerging economies such as China and India represent new markets but also new sources of competition.

White Space have experience of assisting manufacturers by providing marketplace analysis support, helping senior management take the correct decisions. Through best-practice analysis of comparable companies to our clients, we have demonstrated which approaches have worked well and which have failed, and have provided insight into tried-and-tested methods of implementation. Supplier and partner analysis has shown our clients which other companies are best placed to help them improve business effectiveness in the short, medium and long terms. Through market demand profiling, we have identified key drivers of demand and located this against competitor and retailer positioning to inform NPD. In each case, we haven't made the key decisions for our clients, but have provided them with an external perspective which has allowed them to do this more effectively for themselves.

For more information on how White Space can help you understand your marketplace, please contact:



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