

A Benchmarking Success Supply Chain Performance Case Study

IXL Appliances

IXL Appliances used the Government Sponsored *Benchmarking Supply Chain Performance* program to help shape its logistics strategies towards achieving a range of improvements and efficiencies in its supply chain. The benchmarking study was performed by Benchmarking Success as the sole provider of benchmarking services for this program.

IXL Appliances Takes The Next Step

IXL Appliances is one of Australia's oldest and most trusted manufacturers of quality household appliances.

Established by Ebenezer Backwell in 1858, the family-owned business is now in its fifth generation and continues a long tradition of innovative product development and state-of-the-manufacturing.

The company's current range consists of more than 150 products including locally made bathroom heat, light and exhaust units, portable heaters, ventilation appliances and electric barbecues. It also imports quality products such as stainless steel whitegoods, panel heaters, heated towel rails and garden lighting.

Best known for its Tastic range of 'all-in-one' bathroom heat, light and exhaust appliances, IXL Appliances has become a market leader for premium Australian made products.

Designed and developed by IXL in the 1980s, the Tastic has achieved phenomenal success and is continually updated and improved. The latest model, the Tastic Satellite, sets a new design benchmark by separating heat lamps from the main unit and angling them for greater heat dispersal.

The company manufactures and assembles all locally produced products at its Geelong factory and office complex and distributes directly to more than 3200 retail outlets throughout Australia, covering electrical specialists, hardware, department stores and wholesalers.

The opportunity to participate in the Victorian Government's *Benchmarking Supply Chain Performance* program was excellent timing and fitted in well with a number of initiatives IXL Appliances had already embarked upon.

"We had recently completed a major review of our national distribution system and centralised our warehousing facilities in Melbourne, Brisbane and Perth - closing other facilities in Adelaide, Geelong and Sydney," IXL Appliances Logistics Manager, Paul Mantella said.

"So it was an ideal time to benchmark our logistics costs and customer service performance against other Australian companies with similar supply chain operations."

As part of the *Benchmarking Supply Chain Performance* program, Paul met with specialist supply chain consultants Benchmarking Success who provided a detailed Customer Order Fulfilment and Supply Chain (COFS™) Diagnostic seeking information about the company's costs, infrastructure, processes and the performance of various supply chain components.

IXL later received a detailed Strategic Supply Chain Audit (SCAR™) Report comparing its supply chain performance against 425 manufacturing and importing companies. Benchmarking

Success then discussed the findings with Paul and suggested ideas and opportunities for the future supply chain development.

“One of the first things we realised was that our logistics costs were very low in comparison to other companies, which was great news. But it was equally clear that our service levels were below average and there was room for improvement,” Paul said.

“We had been aware problems existed in meeting our customers’ service expectations, particularly in relation to delivery in full and on time (DIFOT), but the report placed a sharper focus on this issue for us.”

It also highlighted the company needed to put more effort into strategic procurement to support refinements in its sales and operations planning and reduce inventory.

IXL Appliances acknowledged many logistic issues and measurements contained in the report and set about addressing these as part of its overall strategic plan.

Key customers across Australia were surveyed about their service level expectations and new delivery standards agreed, in conjunction with IXL’s marketing team. The company then reviewed its existing logistics contracts and tendered on the basis of the new service levels.

“We’re now in the process of developing a series of electronic measurements for our key customer groups so they will be able to see at a glance that we are meeting the new services levels,” Paul said.

Another new initiative for IXL Appliances is the introduction of an automated replenishment system. Developed in collaboration with Deakin University, the system incorporates the latest sales forecasts from sales and marketing staff and then determines recommended stocking requirements for interstate warehouses.

The technology is also in the process of being linked to IXL’s production department so that production schedules are automatically updated, resulting in more accurate procurement and less overstocking.

A couple of months down the track, IXL Appliances believes participation in the *Benchmarking Supply Chain Performance* program was a vital part of recognising areas of need and creating strategies to achieve a more efficient, streamlined supply chain.

“It’s been well worth the effort,” said Paul. “We had started making fundamental changes in our logistic processes but the report provided the evidence and impetus we needed to continue to move ahead.”

By June 2004 the company expects to lift its delivery in full and on time levels by between 15 to 20 percent above those in its previous financial year.

IXL Appliances is also successfully reducing stock levels and product returns through more accurate sales order input practices and strategic inventory management. It is looking at ways of identifying non-performing or obsolete product lines more quickly from both a market and cost to produce perspective.

“I’m confident the new supply chain measures we’ve introduced see us well placed to consolidate our business here in Australia and enhance our focus toward expansion into new international markets,” Paul said.