

A Benchmarking Success Supply Chain Performance Case Study

John Deere

Business boomed for John Deere Limited (JDL) during the 1990s, prompting a significant overhaul of its supply chain facilities, systems and processes.

Participating in the Victorian Government's *Benchmarking Supply Chain Performance* helped the company measure the success of its improvements and identify the way forward. The benchmarking study was performed by Benchmarking Success as the sole provider of benchmarking services for this program.

A subsidiary of United States-based Deere & Company, JDL is Australia's largest supplier of agricultural, farming, and lawn and turf-care equipment.

It has a long and complex supply chain, sourcing its extensive product range from the United States, Europe and Asia, and distributing to around 230 independent dealerships throughout Australia and Zealand.

An added challenge is the company's policy of providing replacement parts for up to 15 years after a model is last produced, and delivering them to customers within 24 hours.

Demand for JDL's equipment and replacement parts also fluctuates dramatically with seasonal and economic conditions, requiring flexible and responsive supply chain facilities and systems.

The Supply Chain Challenge

While JDL achieved greater sales success in the 1990's, a lack of corresponding change and growth in the company's supply chain began impacting on its operations.

"Our supply chain became larger and more complex as demand, the number of product lines and their rate of change increased, but our processes and systems remained geared to 1991 levels," explained JDL Distribution Manager, Tony Paltridge.

"Our three regional Distribution Centres in Brisbane, Melbourne and Perth were carrying inappropriate levels of fast-moving and slow-moving stock, requiring us to lease additional storage facilities.

"Operational costs throughout our supply chain were increasing, and the quality of service we could provide to dealerships and customers was also being affected, with longer lead times and decreasing first-time fill rates."

JDL has a long standing reputation for providing high quality customer service, and so it was crucial the supply chain inefficiencies were tackled.

The company established five clear goals: Develop a supply chain as good as the finished product; Improve customer service levels; Reduce costs; Build infrastructure to support its needs for the next decade, and; Ensure IT systems supported supply chain efficiency.

JDL began reviewing and improving key stages of its supply chain, from international ocean and airfreight systems and processes, through to local warehouse and distribution operations. It strengthened its relationship with dealerships and customers to better understand their needs.

While these incremental steps achieved significant cost reductions and improved supply chain performance, they provided only short-term solutions. A more significant program of change was required.

Facilities, System & Process Changes

In the late 1990s, JDL embarked on a major restructure of its supply chain facilities, systems and processes.

Pivotal to this restructure was establishing a central Distribution Centre in Victoria in 2002 servicing the whole of Australia and New Zealand.

This eliminated the need for leasing additional warehouse space and allowed the introduction of new technology and processes, centralising its inventory management policy and regulations.

The efficiencies gained in JDL's order entry, inventory management, visibility and accuracy of data and data maintenance processes reduced costs and reduced delivery times.

Processes throughout the supply chain were simplified and streamlined. Dealerships gained the ability to view inventory status online and place orders over the internet. The quality of customer service increased and JDL could better forecast and respond to seasonal and economic adjustments.

"We also had some cultural change to achieve, including convincing our dealers that a centralised warehouse would service them better than regional centres, and to adopt the new online ordering processes," said Mr Paltridge.

Benchmarking Supply Chain Performance

In 2003, JDL participated in the Victorian Government's **Benchmarking Supply Chain Performance** program, which provided specialised knowledge and advice in supply chain performance through consultants, Benchmarking Success. **John Deere completed the Benchmarking Success Customer Order Fulfilment and Supply Chain Diagnostic (COFS™). A Strategic Supply Chain Audit (SCAR™) Report was then prepared and presented to Reid's management team.**

"It was a great opportunity to have an independent party survey and measure the success of the improvements we had made to our supply chain," said Mr Paltridge.

"Up to this point, we had only compared ourselves to similar businesses, whereas this program provided an opportunity to compare ourselves to completely different industries which shared similar supply chain challenges, and to learn from their experiences."

The survey helped to confirm the supply chain benefits and service improvements gained through consolidation of parts inventory to Melbourne.

It also quantified the financial and service benefits of continuing to improve import lead times by improving our relationships with suppliers, dealers and customers.

Mr Paltridge said it became clear through industry comparisons JDL could further lift supply chain performance, including improving systems, relationships and processes.

"Some of the major things highlighted were the need to achieve the right balance in stock profiles, and to continue maintaining close relationships with our suppliers, dealerships."

"Participating in the **Benchmarking Supply Chain Performance** program with **Benchmarking Success** provided JDL with a new pathway forward.

"We are continuing to strengthen key relationships with suppliers, dealers and customers, and considering further operational changes to ensure our supply chain keeps pace with future growth."