

Supply Chain Management at Beautiful Bags

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Study Case no. 4: Beautiful Bags

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Prepared for you by group 4:

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Beautiful Bags background:

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- practical case study of US company Beautiful Bags (BB)
- BB produces quilted cotton handbags, wallets, and luggage in bright patterns every year
- two main sourcing locations : 6 Chinese suppliers and a domestic facility, Thomas Jefferson Lane (TJL)



Case challenge:

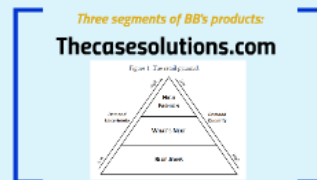
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- Finding optimal sourcing and ordering quantity strategy in order to lower costs and achieve higher profit.
- Reducing the excess inventory through better ordering strategy.
- Managing different levels of uncertainty of demand among the three product segments

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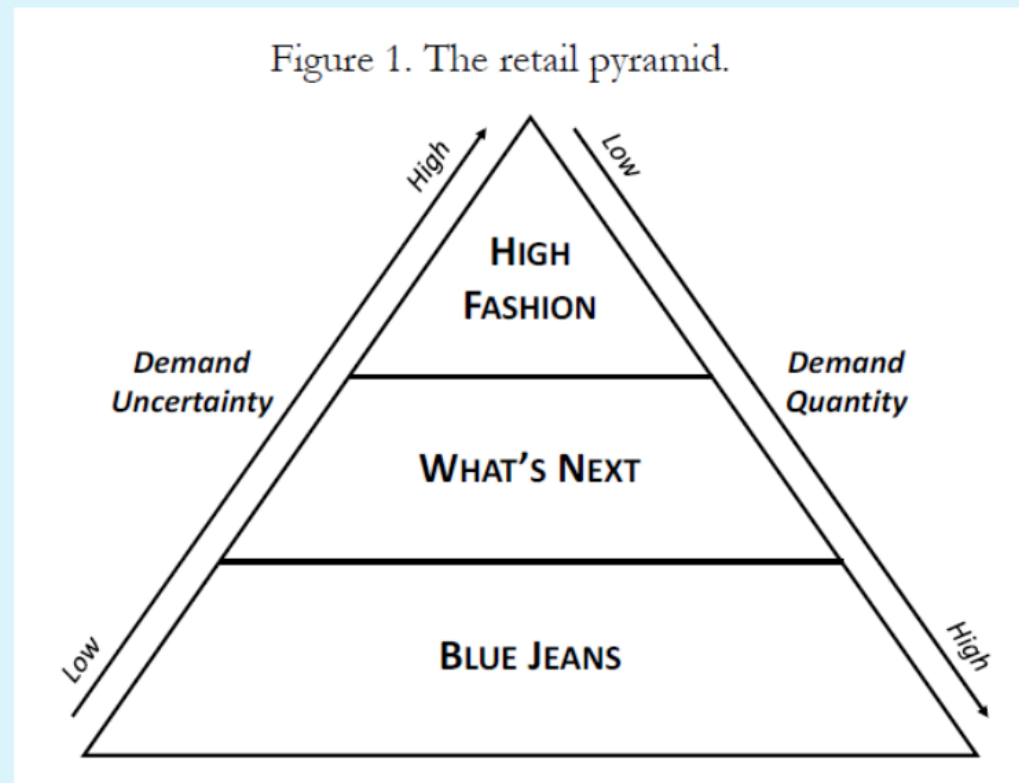


challenge:

Three segments of BB's products:

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Figure 1. The retail pyramid.



Case challenge:

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Problem structuring

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- "mess" situation: a set of problems that are inter-related
- ordering quantity strategy
- sourcing location (increasing labor costs in China)
- product segmentation
- inventory management
- introduction of new products and exploration of new adjacent markets

Problem formulation

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What is the optimal ordering strategy for BB based on the new product segmentation?

- What is BB's optimal order quantity and sourcing location?
- Which inventory policy should be used to manage the inventory of BB?

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Sorting it out...

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	Chinese suppliers	TJL facility
SCDM	Newsvendor	MTO
Inventory control	Periodic review policy	Continuous review policy