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Project reference case

## Implementation of shared Inventory business- and supply chain model within Sony Europe

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# Implementation of shared Inventory business- and supply chain model within Sony Europe

Mieloo & Alexander supported Sony Europe with the realisation of a shared inventory business- and supply chain model across Europe. The objective of this program named: 'Project One', was direct delivery for customers in Germany, Northern France, Benelux, Switzerland and Austria from the European Distribution Centre (EDC) in Tilburg – The Netherlands and direct delivery for customers in Spain, Southern France and Portugal from the Regional Distribution Centre in Barcelona.

## Business requirement / need

Like the other 'established' Consumer Electronics brands, Sony experiences severely increased competition through:

- Digitalisation and Commoditisation: digital technology reduces the quality gap between A and B & C brands. Relatively high quality products can be manufactured at low cost relatively easy by new competitors, who offer spot deals through new sales channels (e.g. the € 50 non-branded DVD player in the grocery store).
- Extremely short life cycles in combination with severe price erosion: typically, the life cycle of a product is 3 to 6 months with an end of life price of 50 to 70% of the original price.

Historically, Sony has relied on a combination of brand image and superior product design and quality as key competitive differentiators. But

in this rapidly changing environment, Sony is now also challenged to further reduce cost and improve service (in terms of product availability) as well.

In the summer of 2002, Sony set out on a program to centralise inventory across Western Europe with the following objectives:

- Reduce stock levels and thus cost,
- Improve supply chain velocity,
- Improve 'dealer hit rate' (product availability and delivery reliability)

## Key challenges / project assignment

The original scope of 'Project One' (as the program was named), was direct delivery of customers in Germany, Northern France, Benelux, Switzerland and Austria from the European Distribution Centre (EDC) in Tilburg - The Netherlands and direct delivery of customers in Spain, Southern France and Portugal from

the Regional Distribution Centre in Barcelona.

The first stage of the program would be the implementation of the shared inventory business/supply chain model into Sony Benelux first, as Sony Netherlands and Sony Belgium already operated a shared inventory scheme from the Tilburg warehouse, and for Sony Germany immediately afterwards. Both projects were to be implemented in the first half of 2003.

These first two legs of the program consisted of the following components (subprojects):

- Design & build of a business process model for inter company sales by the local Sales Companies and direct delivery from stock stored in the EDC and owned by (5) European Business Groups (departments of Sony Europe B.V.) based in Amsterdam;
- Design & build of a quota system to manage allocation of available stock of key models between

countries and sales channels (new introductions suffer from shortage due to start-up issues in manufacturing and high demand); "Design & build of a central Supply Chain (planning & procurement) department in the BG's;

- Redesign & build of infrastructure, processes, systems and organization of the warehouse operation in the European DC in Tilburg, including new 'routes to market' for Germany;
- Implementation of the Shared Inventory supply chain model into the 5 Business Groups of Sony Europe, Sony Benelux and the EDC in Tilburg, including the dismantling of the planning & procurement department of Sony Benelux and the transfer of stock ownership from Sony Benelux to Sony Europe;

- Roll-out of the process, system and organizational templates to Sony Germany and transfer of ownership and physical relocation of the stock of Sony Germany to Sony Europe.

As an indication: annual sales of Sony Benelux and Sony Germany together average approximately 3 billion Euros.

## Benefits realized / results

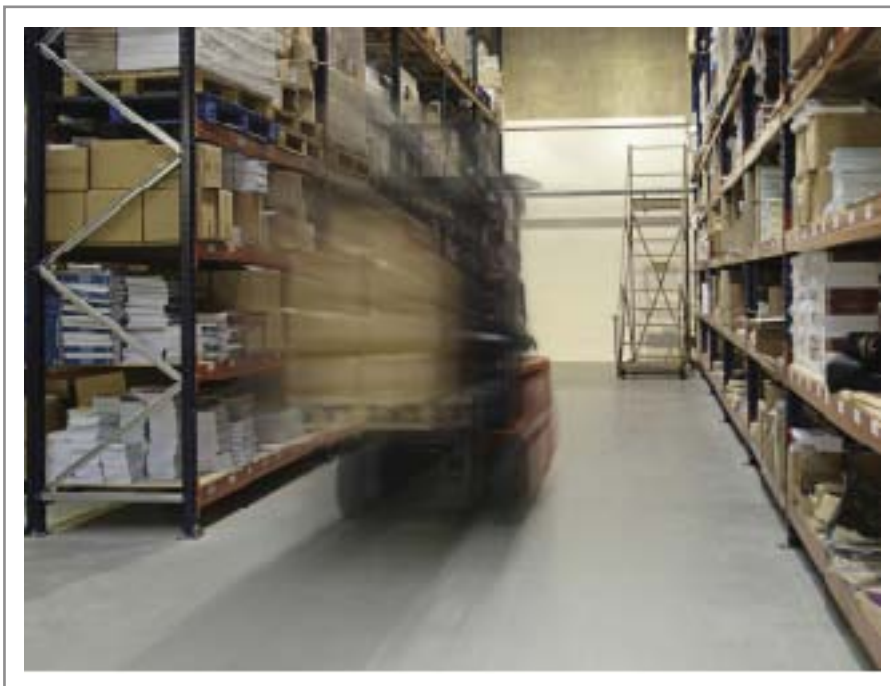
The EDC in Tilburg experienced significant start-up problems at the go-live of the Shared Inventory project for Sony Benelux in May 2003, which led to the delay of the roll-out to Sony Germany until April 2004. At roughly three times the size of Sony Benelux and with a new logistics distribution model in scope, the risk to proceed with the roll-out to Sony

Germany with an unstable logistics operation before peak season (from September until Christmas) was considered too large.

To make maximum use of this delay, a full scope improvement program was launched in the EDC. The objective of the program was to improve process quality and output to enable the EDC to meet the volumes and cycle times required to support the Sony Germany logistics operation. The program consisted of 17 subprojects covering all functional areas and utilised six sigma improvement methodologies.

Without a glitch, Sony Germany moved onto the Shared Inventory concept in April 2004. This successful go-live was largely attributed to the adoption of an extensive risk management program, and the assignment of sufficient time and resources to the project.

Since the implementation, Sony Benelux and Sony Germany have experienced quantifiable benefits in terms of the original project objectives: inventory levels and costs have reduced and dealer hit rate has significantly improved. The roll-out to Sony France, next in line and required to deliver the critical mass to the benefits, has been temporarily postponed till the transfer of Sony Europe BV to Sony United Kingdom Limited has been completed. Project One has been dropped as the name of the project, following roll-outs will be managed as independent project.



## Mieloo & Alexander's approach and role

A small team of experienced project & change managers and supply chain consultants supported Sony with:

- Overall program & change management (excluding design, build and implementation of the EDC, as this was run as a separate program),
- Business process, system and organization (re-)design
- Roll-out project management
- Overall test & migration management
- Program management of the EDC Quality improvement program
- Risk mitigation management
- SAP consultancy and support

The same team was then assigned to the program & change management of the business transfer of Sony Europe to Sony United Kingdom Limited, the integration of AIWA Marketing of Europe (a 100% subsidiary of Sony) into Sony Marketing Europe and the redesign and implementation of the Quota/Allocation solution.

## Customer information: Sony Europe

Sony Marketing Europe (originally based in The Netherlands, but now transferred to the UK) is the central business organisation for Sony consumer products in Europe. It covers 5 'European Business Groups' (BG's) that are responsible for marketing, sales and distribution of approximately 5 billion Euro of sales through 'local' Sony Sales Companies in each of the countries in Europe.

Depending on their relative value density, Sony stocks goods in

local/country warehouses and in three Regional/European Distribution Centres (Tilburg, The Netherlands, Barcelona and Copenhagen). Products are manufactured in Europe (factories in the UK, Spain, Czech and Slovakia) and Japan and Asia and shipped by truck, sea and air to (all) European warehouses (also depending on value density).

Sony Europe has implemented a single client SAP R/3 4.6 in all European Business Groups and Western European sales companies; SAP is currently being implemented in the Eastern European Sales Companies



Sony Berlin

## About Mieloo & Alexander

Mieloo & Alexander is an independent consulting firm specialised in technology enabled supply chain improvement. Based in the Benelux, Mieloo & Alexander supports its clients with project- and change management and business process and technology consulting on projects across Europe, the Middle East and Africa (EMEA). With significant RFID and RTLS experience, Mieloo & Alexander assists clients with exploring, assessing and deploying RFID-based solutions to enhance supply chain operations.

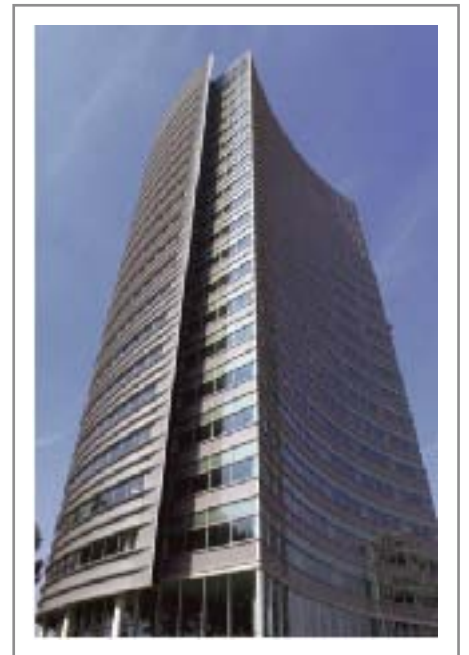
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# Mieloo & Alexander

Mieloo & Alexander Business Integrators is a consulting firm that specializes in technology enabled supply chain improvement, with a focus on supply chain management and visibility through the use of innovative information technology (RFID).

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