

SUCCESS STORY

Godfrey Hirst Australia Pty Limited
Carpet Choice Pty Limited
DuPont (Australia) Ltd



Transforming the carpet value chain



Substantial improvements to our business responsiveness, customer service and working capital have been realised through working with our value chain partners.

*Kim McKendrick
Chairman and CEO
Godfrey Hirst Australia*

The Organisations

This value chain consists of four vertically integrated Godfrey Hirst Australia (GHA) companies involved in carpet and yarn production and distribution, plus the Carpet Choice retail group and DuPont.

- DuPont supply polymers, singles yarn and patented additives
- FibreMakers extrude nylon yarn
- Riverside Textiles twist and heatset yarn
- Godfrey Hirst tuft, dye and laminate carpet
- Melbourne Logistics order pick, pack and distribute
- Carpet Choice Group buys and retails carpets.

The carpet value chain is intricate, with many distinct and vertically integrated stages, and a spectrum of technologies. Bulk polymer is supplied and processed into nylon yarn, which in the next stage is twisted and heatset ready for tufting. The yarns are tufted into a carpet base ready for dyeing and treatment with stain and soil resistant chemicals. Finally, backing material is added to produce the completed carpet. This carpet is then picked, packed and transported to the customer.

Increased competition has seen retailers move from a direct association with a specific manufacturer's product range, towards display and selling the products of every floor-covering manufacturer.

In this chain the retail partner, Carpet Choice, sources the majority of its products from the Godfrey Hirst range. A key factor for this partnership is that Godfrey Hirst hold significant stock for Carpet Choice members and supply cut lengths or rolls as ordered by the retailer.

The Project

Godfrey Hirst and Carpet Choice management identified that the relationship with Carpet Choice members was critical to the success of both businesses.

Delivery leadtimes were unacceptable for many products, even though the carpet inventory held by Godfrey Hirst covered most product lines and colours, purposely attempting to ensure availability of every product.

As well, at each stage in the chain, large quantities of raw materials and work in progress (WIP) were

VALUE CHAIN
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held, in an attempt to efficiently supply all products. In order to improve the capabilities and output of the end-to-end value chain, the project set out to challenge current processes and practices, and to eliminate non value-adding activity and waste.

Project Methodology

Value chain partnerships were enhanced through the use of inter-business and cross-functional workshops and team activities, that enabled key stakeholders and frontline staff to define issues, create solutions and take accountability for the changes and actions. This allowed all involved to understand and contribute to improved performance across the whole value chain, not just the immediate functional areas.

Benefits and Outcomes

Benefits achieved include:

- improvements in lead time, tufting machine changeover and reductions in inventory as shown in the diagram below;

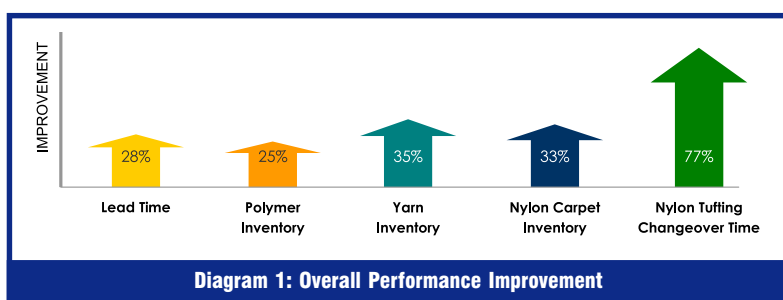


Diagram 1: Overall Performance Improvement

- 25% less non value adding steps to administer quality matters, redesigned in a joint project between GHA and Carpet Choice;
- 17% less non value-adding steps in the redesigned production process for retail carpet samples;
- better relationships and communications between Godfrey Hirst and Carpet Choice members, through the “360 degree process” that involved collection of objective data, analysis, discussion and agreed actions;
- enhancement of Godfrey Hirst’s sales and marketing focus, from the independent interviews and a survey of the service and product expectations of retailers;
- a redesigned stock and production planning model to:
 - ~ eliminate stock-outs of fast moving products;

- ~ vastly improve IFOT delivery of ‘make to stock’ products;
- ~ clarify that popular lines always ex-stock and leadtime certainty for made-to-order products;
- ~ reduce and optimise finished goods levels;
- ~ utilise defined production batch sizes and replenishment cycles; and
- development of projects involving value chain partners, to identify opportunities and improve the production and delivery of samples.

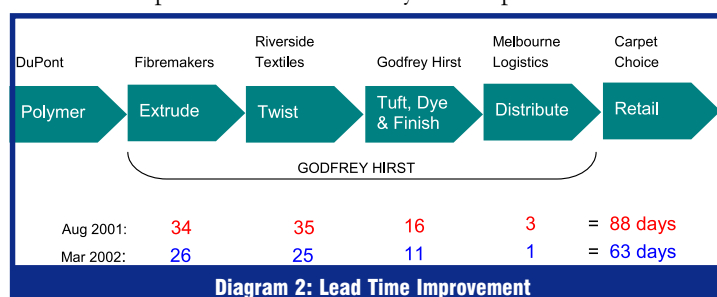


Diagram 2: Lead Time Improvement

Lessons Learned

- Need to maintain a high level of project reporting and communication that enables key executives of chain partners to drive decisions and resource priorities, and to ensure the project does not become fragmented and locally focussed;
- Project teams must be representative of all entities in the end-to-end process;
- Facilitated workshops enable stakeholders to agree on how to solve their problems and take ownership of what has to change;
- Need to develop of ‘change champions’ to follow through and lock-in the improvements to business processes and relationships;
- Awareness and implementation support for changes to long term work practices and processes;
- Sensing and protecting the confidentiality needs of each partner;
- Need to understand and manage likely challenges arising from split responsibilities, and geographical and functional spread of entities; and
- Realignment of performance measurement practices and supports for changes required in work practices.

This project was facilitated by Geoff Stockdale and Tim Maishman of Stockdales Pty Ltd, project managers accredited with the Value Chain Management Program. The Program is an initiative of the Commonwealth Government.

www.valuechains.industry.gov.au

