

# Streamlined supply chain at OPSM



## Background

Following the acquisition of Budget Eyewear and Laubman & Pank, OPSM (Australia's largest retailer and manufacturer of optical needs) was faced with one product offering and three vastly different supply chains. Management undertook to devise a uniform supply chain strategy which would offer significant cost savings and improve the overall performance of each brand.

According to OPSM, they were seeking specialist consultants that could combine high-level strategic skills, supply chain qualifications and change management expertise.

SMT Consulting, a supply chain management and consulting firm, was retained to conduct a comprehensive review of the supply chain operations of each group. A team of specialist consultants were assigned to evaluate the existing processes of all three businesses; travel to each branch and factory (both domestically and throughout Asia); and ultimately devise a supply chain strategy that incorporated best of breed processes and technology that would deliver the desired financial benefits they were seeking from the mergers.

The key objectives for these supply chain reforms were to reduce the considerable operating costs that the three groups were incurring and to enable each brand to make an unprecedented offer to customers in terms of turn-around time on product delivery.

## Review and implementation

After an extensive review of operations, SMT identified several key areas where reform could deliver supply chain cost and performance improvements, including:

- Lens manufacturing
- Edging and fitting
- Supply chain scheduling

### Lens Manufacturing

OPSM manufactured a proportion of its lenses through its own plant, Eyebiz. The remaining lenses were either made by subcontractors or produced in-store. For stores to perform this function they needed the materials, qualified staff and equipment on-site. SMT devised a centralised model which reduced the overall costs by moving the work out of stores and into an automated, process driven environment – i.e. Eyebiz. This allowed stores to focus on sales and reduce the staff and equipment required in stores.

One obstacle however, was motivating stores to outsource the work to Eyebiz. In order to make this a more attractive option for retailers, SMT implemented a new pricing strategy, significantly reducing the rates Eyebiz charged for manufacturing lenses, and as a result the flow of work from the stores grew exponentially. Eyebiz went from making 600,000 lenses per year to 800,000 in the short term and is currently producing more than 1 million per year. This equates to 80 per cent productivity improvement with little expenditure on capital. The work flow to Eyebiz grew to such an extent that a second manufacturing plant was required.

Whilst OPSM was impressed to see the throughput of Eyebiz increase so dramatically, to justify the expenditure on a new manufacturing facility they were required to set some significant cost savings goals. A target of \$8.5 million in savings per year was set – a goal that was near fulfilment at the completion of the project.

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## Edging and Fitting

Edging and fitting refers to the process of fitting lenses into glasses frames and was another area where a unified approach across the three brands offered OPSM significant efficiencies and savings.

Approximately 400 retailers had the equipment on-site to perform edging and fitting for customers, greatly adding to the operating expenses (both labour and equipment) of these locations.

SMT recommended and carried out the closure of several pre-existing and under-utilised edging and fitting labs and established Regional Edge and Fit centres to deal with the most urgent jobs. Edging and fitting also became a function of the new Eyebiz facility which now completes the majority of these jobs – more than 750,000 per year.

## Scheduling

The second phase of the project was to develop and implement a new supply chain framework to primarily address manufacturing scheduling. Traditionally ‘first in first served’ was the basis for prioritising job orders but there was a critical need to factor in customer requirements, as well as the complexity of each job. Customer-required date and actual lead times became the basis of scheduling, an approach more suited to the needs of a customer service oriented business.

SMT implemented manufacturing processes and tools to prioritise the production and fitting of lenses. The technology was based on Manugistics scheduling software, a specialised suite that could factor in all variables and prioritise work according to urgent versus non urgent versus complex jobs. SMT also established a relationship with a corporate overnight transportation network to ensure retailers received the finished product as quickly as possible.

Critical to developing the new scheduling framework was an exhaustive customer survey which indicated exactly what customer expectations were in terms of how quickly they expected their prescriptions to be filled. This allowed OPSM to offer a speedier turn-around for those customers that wanted it and prioritise accordingly those jobs where there was not such a great sense of urgency. This enabled OPSM to introduce a new customer service mantra - an unprecedented commitment to a 24 hour turn-around on 80 per cent of lenses, with 95 per cent to meet the customer-required date.

## Culture, Politics, Change management

In any organisation undergoing major acquisitions and restructures, there will always be resistance to change, new methodologies and processes. Having the skills, knowledge and experience to deal with these issues can play a critical role in the success of any project.

According to OPSM, SMT’s ability to deal with senior management, coupled with their change management expertise, resulted in a much smoother project. A critical skill highlighted by OPSM was SMT being able to quickly identify and address areas of internal politics and pockets of resistance that could have potentially adversely impacted on the project.

## The bottom line

OPSM now boasts lean supply chain processes, first class manufacturing facilities with growing levels of throughput, vastly improved levels of customer service, reduced levels of inventory and millions of dollars in cost savings each year.

According to OPSM each phase of the project was a success - cost savings were realised immediately, manufacturing is now scheduled to meet customer requirements and stores are operating efficiently, enabling them to focus on increasing sales.

