

University of Warwick

Supply Chain Management

Name: Bin Chen

University ID: 0836878

The Case of Whirlpool – Supply Chain Management

Whirlpool Corporation is the number one home appliance manufacturer and marketer of major brands in the world. It has an annual sales of approximately \$17 billion in 2009, employs 67,000 people, and maintains 67 manufacturing and technology research centers worldwide (www.whirlpoolcorp.com). The company embarked on a global approach as it mainly engaged in mergers and acquisitions with some of the major home appliance companies such as *Maytag*, *KitchenAid*, *Amana*, *Brastemp*, *Bauknecht*, etc. (Kodama, 2012). As a result, Whirlpool created a complex supply chain, large amount of inventory, and increased costs, which in turn negatively affected its operation's efficiency to provide on-time delivery and increased customer satisfaction. Improving logistics for competitive advantage has not always been considered by Whirlpool until it decided to integrate strategic answers to its problem. When Whirlpool acquired Maytag in 2005, it had already started analyzing the problem with its supply chain. First, it was recognized that the system they are using was already out-of-date. Such problem was developed due to persistent focus of Whirlpool in creating new and innovative products and brand to entice the market yet neglecting its supply chain (MacMillan, 2008). Knowing for a fact how the marketplace has changed over the past years, thus, it is only necessary that company such as Whirlpool also considered aligning its own supply chain system.

According to many studies, supply chain management is a complex term which is difficult to define in a standard way (Naslund and Williamson, 2010; Stock and Boyer, 2009). This is because there are several different and competing frameworks enveloping such term such as management, logistics, technology, etc. However, what seemed to be the most common description for supply chain management is that it is obviously the coordination of flows and activities in addition to collaborative effort across different partner companies within the supply chain. Hence, It is highly important that in order to attain competitive advantage, a holistic approach is needed which means improvement of the chain's overall performance and not only by individual link. As stressed by Towill et al. (2002) and Holweg et al. (2005), a seamless and synchronized supply chain is the ultimate goal of supply chain management for it is believed to be positively significant to customer satisfaction, cost efficiency, and profitability. To put it simply, "*Supply Chain Management aims to respond to customer needs as quickly as possible at the right time and place considering the lowest cost possible*" (Vanichchinchai and Igel, 2009, p. 251).

In the case of Whirlpool, it showed that the problem was a result of not only an old system in place but also because of inefficient or poor management of the supply chain. In this regard, the solution is not only directed at improving the individual links such as the existing suppliers, logistic partners, etc. but rather it also involves completely changing the process of how supply chain is managed. In which case, it thus means modifying the entire procedures and system as well as the way the company managed the supply chain. Likewise, it asserts the proactive role of top management down to bottom-line employees who are involved in the total distribution of goods and services. This is because supply chain management is not only about logistics per se

but rather it is much more than this aspect as it also involves management of individual links, technology, operational plan, among others (Mills et al., 2004). Thus, supporting the opinion of Gimenez (2004, p. 254) that supply chain management truly offers a unique perspective as regards integration of participation and partnership not only from all internal functions but also from continuous collaboration of all external links which encompass the suppliers, logistic partners, retailers, among others.

Indeed, with this new consumer mindset, it eventually instigated the changes in Whirlpool's supply chain management. The company eventually realized the importance of meeting their clients' needs in a faster and more efficient ways. Thus, the employment of "schedule actualization" or the just-in-time (JIT) approach is asserted of critical role in improving the supply chain of Whirlpool. This is because people nowadays are more demanding due to their busy lifestyle. Thus, oftentimes, people purchase appliances with the expectation that the store will be able to provide or deliver the product to them in just a couple of days. In relation to this, retailers are therefore challenged to meet these needs of their customers as well. Such complex transaction is also very important for retailers in order for them to achieve successful business operations. In current time where competitive pressures become stiffer than ever due to rising globalization and customer expectations, Whirlpool is therefore affronted with a lot of pressures and complexities in line with their operation. As such, one way of addressing the problem is to streamline activities especially with regards to production and delivery of goods and services (Manuj and Mentzer, 2008).

Such new campaign of Whirlpool eventually helped its managers to implement strategic decisions that resulted to consolidating their warehouses into fewer yet larger regional distribution centers instead so as to avoid daily shipment of bulk inventories to a number of retailers (MacMillan, 2008). In which case, it is only necessary because through this process, the company was able to eradicate activities in the supply chain that do not actually add value and therefore serves only as a liability to achieving a smooth and efficient business operation (Miller and de Mata, 2008). As supply chain management is improved by adding value and creating efficiency, in the end, it is customer satisfaction that is ultimately affected (Stock and Boyer, 2009). Thus, Whirlpool experienced no more delayed orders and accumulated more savings in the process. In addition, the company also considered developing a manageable number of suppliers through implementation of Supplier Continuous Improvement Systems (SCIS) which basically assesses the performance of suppliers according to set expectations by Whirlpool. Those who did not pass the assessment are thereby replaced by other suppliers who are able to meet these expectations (Stundza, 2001). Moreover, the company also partnered with Penske to become its lead logistics suppliers. Their close partnership and collaboration helped a lot in enhancing Whirlpool's supply chain management, increasing its cost savings and providing a better optimize routing (PenskeLogistics, 2012). The established relationship between the two companies signifies the importance of building good relationships with partners within the supply chain. As asserted by Stock et al. (2010) the need to effectively manage relationships

with other partner companies within the supply chain is asserted of utmost significance because it is through this strategy that efficiency of operation flow can be achieved.

In the end, the result of these modifications caused Whirlpool huge savings as it helped the company eliminated about \$60 million in operating costs from its supply chain (MacMillan, 2008). Making the company more cost efficient is one of the many benefits of an effective supply chain management (Tummala et al., 2006) aside from improved customer satisfaction (Stock and Boyer, 2009), controlled delays, and increased return of investments (ROI). Indeed, the company was able to make all these improvements possible through integration of technologies (i2 technologies), as well as applying Supplier Continuous Improvement Systems and implementing activity such as collaborative planning, forecasting, and replenishment or CPFR (Kodama, 2012). In which case, it only supports the notion that supply chain management is not only about logistics but rather it involves a holistic perspective about the supply chain which may include effective management, adoption of appropriate and up-to-date technologies, strategic operation plans and its execution, among others. Moreover, better utilization of resources also suggests improved control of delays and increased quality and competitiveness of products or services, which in turn, enhanced customer satisfaction.

All the modifications and improvement made by Whirlpool in its supply chain resulted to positive effect on company's overall performance. There were no more delays in delivery, inventory levels decreased, and operation cost was lessened dramatically. The case of Whirlpool is one of the many success stories of companies that tried to improve their supply chain in line with the realization that supply chain is indeed their key to achieve a competitive advantage. As Li et al. (2006) stressed, "*Competition is no longer meant between individual businesses but rather between supply chains*". This is true, because the success of a company is based on merits that it has achieved from the quality of its product and service delivery. Customer satisfaction is the ultimate goal of any business. Well satisfied clients guarantee good business and this can be achieved through collaborative effort from all internal and external parties. Hence, understanding how supply chain management can be efficiently applied is indeed imperative for many global enterprises as they embarked on a complicated environment. Just like Whirlpool, the problems that they had experienced did not stop them from searching for other ways to continuously improve. Likewise, the company was able to realize their shortcomings especially in line with their supply chain and learned that it plays a critical role in attaining business success.

References:

- Gimenez, C. (2004). Supply chain management implementation in the Spanish grocery sector: An exploratory study. *International Journal of Integrated Supply Management*, 1(1), 98-114.
- Holweg, M., Disney, S., Holmström, J. and Småros, J. (2005). Supply chain collaboration: Making sense of the strategy continuum. *European Management Journal*, 23(2), 170-181.
- Kodama, D. (2012). Business Case Study: For Whirlpool, the benefit horizon is years. Managing Automation. Available [Online] at http://www.managingautomation.com/maonline/magazine/read/view/BUSINESS_CASE_STUDY_For_Whirlpool_the_Benefit_Horizon_is_Years_3218
- Li, S., Ragu-Nathan, B., Ragu-Nathan, T.S., and Rao, S. (2006). The impact of supply chain management practices on competitive advantage and organizational performance. *Omega*, 34, 107-124.
- MacMillan, D. (2008). The Issue: Whirlpool cleans up its supply chain. Bloomberg BusinessWeek. Available [Online] at http://www.businessweek.com/managing/content/oct2008/ca20081024_801808.htm
- Manuj, I. and Mentzer, J.T. (2008). Global supply chain risk management strategies. *International Journal of Physical Distribution and Logistics Management*, 38(3), 192-223.
- Miller, T. and de Matta, R. (2008). A global supply chain profit maximization and transfer pricing model. *Journal of Business Logistics (Special Issue)*, 29, 175-200
- Naslund, D. and Williamson, S. (2010). What is management in supply chain management? – A critical review of definitions, frameworks, and terminology. *Journal of Management Policy and Practice*, 11(4), 11-28
- Stock, J. and Boyer, s. (2009). Developing a consensus definition of supply chain management: a qualitative study. *International Journal of Physical Distribution and Logistics Management*, 39(8), 690-711.
- Stock, J., Stefanie, L., Boyer, S. and Harmon, T. (2010). Research opportunities in supply chain management. *Journal of the Academy of Marketing Science*, 38(1), 32-41.
- Stundza, T. (2001). Whirlpool aims to cut costs 5% annually – Supply Chain Management. *Purchasing*, 130, 17-28.
- Towill, D.R., Childerhouse, P. and Disney, S.M. (2002). Integrating the automotive supply: where are we now? *International Journal of Physical Distribution and Logistics Management*, 32(2), 79-95.

Tummala, V.M., Rao, C., Phillips, M. and Johnson, M. (2006). Assessing supply chain management success factors: A case study. *Supply Chain Management: An International Journal*, 11(2), 179-192.

Vanichchinchai, A. and Igel, B. (2009). Total quality management and supply chain management: Similarities and differences. *The TQM Magazine*, 21(3), 249-260.

Varma, S., Wadhwa, S. and Deshmukh, S.G. (2006). Implementing supply chain management in a firm: issues and remedies. *Asia Pacific Journal of Marketing and Logistics*, 18(3), 223-243.

Whirlpool Corporation: Evolution of a supply chain. (2012). Penske. Available [Online] at <http://www.penskelogistics.com/casestudies/whirlpool2.html>

Whirlpool History. (2012). Available [Online] at <http://www.whirlpoolcorp.com/about/history.aspx>