Case Notes

# Chapter 14: Lean Operations And Supply Chains

## TAL Apparel and JC Penney

## Case Summary

*This case describes a success story of the partnership between Textile Alliance Limited (TAL) Apparel Ltd. in Hong Kong and J.C. Penney in overcoming the challenges of making its global supply chain lean.*

Case Analysis *This case illustrates the four positive characteristics of a lean global supply chain: mutual trust, a commitment to innovative practices, instant information processing, and continuous improvement. The success of the partnership between TAL and J.C. Penney in streamlining the resupply cycle underscores the importance of incorporating elements of lean operations in the most value-added activities in a global supply chain. By outsourcing its warehousing and stock replenishment to its trusted supply chain partner, TAL, J.C. Penney is able to overcome challenges of creating a lean global supply chain (e.g., JIT delivery, low inventories) to meet the needs of its retail customers efficiently and effectively.*

## Sample Answers to Case Questions

1. What are the main advantages of letting a company like TAL manage your inventory and reorder systems? What are the major disadvantages?

The main advantages of letting a company like TAL manage one’s inventory and reorder systems are (1) improved communication between supply chain partners, (2) more efficient demand management, and (3) more efficient inventory management. Its disadvantages include (1) surrender of control of one’s inventory and reorder system, (2) increased interdependencies between supply chain partners, and (3) reliance on technology to facilitate a seamless flow of information.

2. How does TAL achieve integration in its supply chain? What are the critical success factors that make the supply chain work?

TAL achieves integration in its supply chain by adopting a vendor managed inventory system that collects all point-of-sale data directly from J.C. Penney’s stores, generates instant reorder responses, forecasts fashion changes, as well as designs and rolls out new orders to streamline J.C. Penney’s retail operations. The critical success factors include mutual trust, a commitment to innovative practices, instant information processing, and continuous improvement.

3. How does the partnership with TAL help J.C. Penney achieve a lean service philosophy?

The partnership with TAL helps J.C. Penney achieve a lean service philosophy in (1) meeting the needs of retail customers with in-stock items, (2) streamlining the process of rolling out new and reordered items, (3) speeding up order replenishment with frequent JIT deliveries, (4) forecasting fashion changes to adjust existing orders and fulfill new orders, and (5) improving reorder operations, forecasting, and inventory management continuously.