TEA MANUFACTURING COMPANY

Problem

- There is a dilemma whether the company should reduce the product variants of the fruity tea or not (Pujawan & Er, 2009)
- Goteh generates the major fraction of revenues.
- But Fteh is of a high demand among young people.
- It has a high potential for growth in the future.
- Numerous production and distribution difficulties exist.

Alternative Solutions

1) Reduce the number of Fteh flavors to 1

- Low costs and low market potential

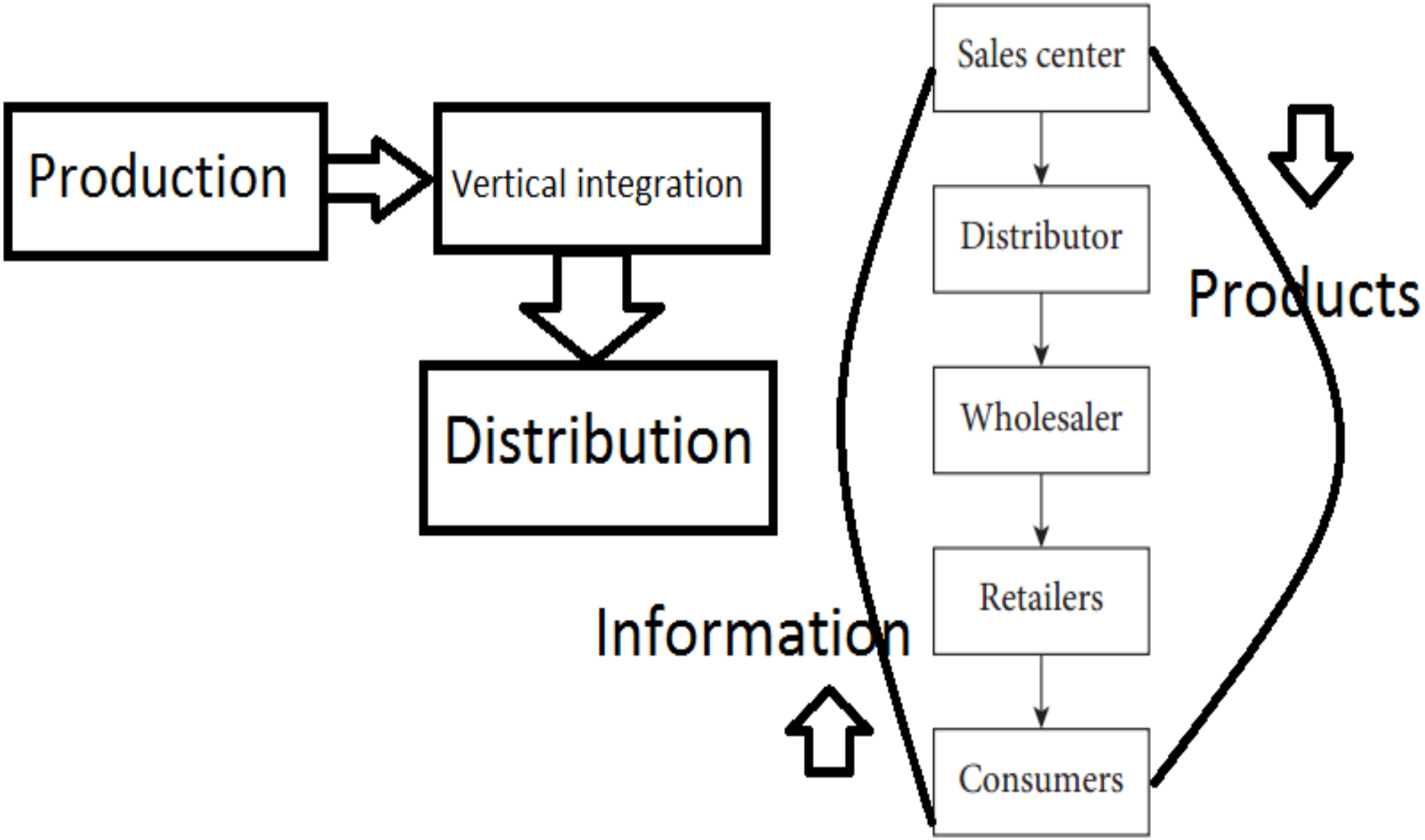
2) Maintain the current number of Fteh flavors

- High costs and higher market potential

3) Temporarily reduce the number of Fteh flavors to 3-4

- Balancing short- and long-term interests
- Optimal solution

Supply Chain Configuration



Goteh and Fteh: Comparison

- Goteh: traditional, all market segments, high revenues
- Fteh: modern, teenagers' price segment, low revenues, high market potential
- Goteh's supply chain: direct, 1 flavor, vertical integration
- Fteh's supply chain: complicated, numerous flavors, both vertical and horizontal integration (Pujawan & Er, 2009)

Causes of Demand Increase

1) Expectations of price increases in two weeks

2) Expectations of the growing consumer demand before holidays

- I would propose adopting the 3rd alternative (Slide 3)
- Balancing supply chains of Goteh and Fteh
- Predicting consumer demand (Seuring, 2013)
- Maximizing revenues

Information Distortion

1) Demand is cyclical due to the company's policy of informing about price increases in advance.

2) Inability of correct forecast of the demand structure for Fteh (Pujawan & Er, 2009)

- Additional marketing research is needed and temporarily decrease of Fteh's flavors
- Vertical integration: lower costs but a complicated supply chain (Li, Wang, Chan, & Manzini, 2014)
- Outsourcing: higher costs but a direct supply chain

References

- Li, D., Wang, X., Chan, H. K., & Manzini, R. (2014). Sustainable food supply chain management.*International Journal of Production Economics, 152*, 1-8.
- Pujawan, I., & Er, M. (2009). *Managing supply chain complexity in a Tea Manufacturing Company*. Sepuluh Nopember Institute of Technology.
- Seuring, S. (2013). A review of modeling approaches for sustainable supply chain management. *Decision Support Systems, 54*(4), 1513-1528.